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**FEDERAL SAVINGS  
AND LOAN CORPORATION**

**1966 ANNUAL REPORT**

## Board of Directors

OFFICERS    The Honourable G. ERNEST HALPENNY, P.C., *Chairman of the Board*  
OSCAR RECHTSHAFFEN, *President and Managing Director*  
PETER MACKENZIE, *Vice-President*  
JAMES H. MORLOCK, *Secretary*  
JOHN W. STEWART, C.A., *Treasurer*  
E. H. W. BRADFORD, *Assistant General Manager*  
DAVID MELNIK, *Assistant Secretary*

DIRECTORS    GORDON R. P. BONGARD, *Toronto*  
The Honourable G. ERNEST HALPENNY, P.C., *London*  
PETER MACKENZIE, *Montreal*  
JAMES H. MORLOCK, *Toronto*  
IRVIN RECHTSHAFFEN, *Toronto*  
OSCAR RECHTSHAFFEN, *Toronto*  
ROGER N. SEGUIN, Q.C., *Ottawa*

AUDITORS    MESSRS. PRICE WATERHOUSE & CO.

REGISTRAR AND TRANSFER AGENT    FEDERAL SAVINGS & LOAN CORPORATION  
Toronto

BRANCH REGISTRAR AND  
TRANSFER AGENT    NATIONAL TRUST COMPANY, LIMITED  
Toronto

HEAD OFFICE    141 Yonge Street  
Toronto

SAVINGS BRANCHES    141 Yonge Street  
605 Danforth Avenue  
950 St. Clair Avenue West  
1850 Eglinton Avenue West  
Toronto

ANNUAL MEETING    Wednesday, March 29, 1967, 11:00 a.m.



## Report of the Directors

Dear Shareholder:

The year ended December 31st, 1966 witnessed an improvement in operating results of approximately \$85,000 over the previous year.

Pursuant to its conservative investment policy, your Company has maintained one of the highest liquidity ratios in the industry, which was instrumental in retaining customer confidence, as demonstrated by the 51% growth in demand, savings and other time deposits during the year from \$2,442,686 to \$3,686,879.

Liquid assets, including cash, 30 day short-term notes and Government of Canada, Province of Ontario and municipal bonds totalled \$1,627,613, which equalled 44% of all deposits, including time deposits.

During the year, Debentures outstanding increased sharply by 281% from \$513,176 to \$1,956,578. These are medium-term obligations sold by the Corporation having fixed maturity dates, and constitute an ideal source of investment funds for mortgage loans. These funds permitted the sound expansion of the mortgage portfolio from \$3,689,958 to \$5,086,762. The average yield on the mortgages is now 8.1% per annum.

This ability to increase your Company's mortgage investment substantially, at a time when yields on prime mortgage loans were the highest in decades, will contribute to increased earnings for a period of approximately 5 years, since these conventional mortgages generally may not be prepaid, unless the Company is willing to accept a bonus of interest for prepayment.

The full-year earning potential of the increase in investment assets achieved during the year is obviously not entirely reflected in operations until the following year. Since your Company enjoyed substantial growth during the 1966 year, these additional earnings from investment assets now on hand will make a strong contribution to next year's earnings picture. For example, the 1967 earnings from the \$5,086,762 mortgage portfolio now on hand will exceed the 1966 earnings from mortgages by approximately \$87,000. Additional income growth derived from gains in investment assets during 1967 would add to this improvement.

Notwithstanding the additional costs relating to the opening of our fourth savings branch in Toronto, on Eglinton Avenue West at Dufferin Street, expenditures for branch establishment, advertising and business promotion campaigns for the year were reduced to \$70,328 from \$96,537 the previous year. Since these expenditures are discretionary and controllable, it is intended to make a further major reduction in such outlays in 1967.

The indicated increase in investment income, together with the reduction in costs outlined, are

already being reflected in current operations. The impact of these improvements in operating results will continue to grow in 1967, so that we may forecast a modest profit for the year ending December 31st, 1967.



On February 10th, 1967, the Province of Ontario passed legislation establishing the Ontario Deposit Insurance Corporation as a Crown Corporation. It provides deposit insurance up to a maximum of \$20,000 per deposit, for all member institutions. Federal Savings and Loan Corporation is a member institution, and therefore every one of our existing or future customers' deposits and Debentures is now insured against loss to a maximum of \$20,000 per deposit or Debenture.

The deposit insurance legislation should herald a new and greater period of growth for your Company. The higher rates paid on savings and Debentures, and the longer hours of service provided by your Company will be the deciding competitive factors in attracting customers, since the safety of their funds is now unquestioned.

The average balance in personal savings accounts in Canada is approximately \$500. The cost of deposit insurance covering such an average account is a mere 16¢ per year, truly an insignificant amount to achieve peace of mind and security for the saving public.

Debentures issued by Federal Savings and Loan Corporation are covered by the Deposit Insurance law. They are now one of the most attractive investments available, offering higher rates than other types of investment, with unquestioned safety of capital and interest. As a result, considerable growth in Debenture sales is anticipated this year.

The unstinting efforts of our highly capable, friendly and courteous staff members are sincerely appreciated, and are directly responsible for the growth and progress your Company has enjoyed.

Respectfully submitted on behalf of the Board,

A handwritten signature in dark ink, reading "Oscar Rechtshaffen". The signature is fluid and cursive, with a large, sweeping flourish at the end.

*Oscar Rechtshaffen, President.*

*Toronto, February 28, 1967.*



# FEDERAL AND LOAN

## Auditors' Report

To the Shareholders of Federal Savings and Loan Corporation:

We have examined the balance sheet of Federal Savings and Loan Corporation as at December 31, 1966. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet presents fairly the financial position of the corporation as at December 31, 1966.

Toronto, February 13, 1967.

Price Waterhouse & Co.  
Chartered Accountants.

**Balance Sheet**

	Assets	December 31	
		1966	1965
Cash		\$ 494,430	\$ 147,035
Securities:			
Short term notes		225,000	—
Government of Canada bonds, at amortized cost (quoted market value 1966—\$823,000; 1965—\$528,000)		836,471	535,702
Provincial and municipal bonds, at amortized cost (quoted market value \$70,000)		71,712	—
Stocks, at cost (quoted market value 1966—\$42,000; 1965—\$29,000)		67,124	34,345
Total cash and securities		1,694,737	717,082
Collateral loans		35,329	14,665
Mortgages receivable and accrued interest less unamortized discounts of \$14,435 (1965—\$10,822)		5,086,762	3,689,958
Other assets:			
Leasehold improvements, less amounts written off		98,521	90,306
Furniture and fixtures, at cost less accumulated depreciation of \$30,330 (1965—\$14,243)		64,348	56,971
Accounts receivable		16,757	14,519
		179,626	161,796
		<u>\$6,996,454</u>	<u>\$4,583,501</u>



# SAVINGS CORPORATION

Sheet

	December 31	
	1966	1965
<b>Liabilities</b>		
Bank loans	\$ —	\$ 175,000
Demand deposits and accrued interest	786,581	558,904
Savings and other time deposits and accrued interest	2,900,298	1,883,782
Debentures and accrued interest	1,956,578	513,176
	<u>5,643,457</u>	<u>3,130,862</u>
Accounts payable and accrued liabilities	44,278	39,812
	<u>5,687,735</u>	<u>3,170,674</u>
<b>Shareholders' Equity</b>		
<i>Capital stock (Note 1):</i>		
Authorized—		
500,000 shares of \$10 each	<u>\$5,000,000</u>	
Issued—		
140,000 shares, fully paid	1,400,000	1,400,000
50,000 shares, partly paid	50,000	50,000
	<u>1,450,000</u>	<u>1,450,000</u>
<i>Profit and loss account</i>	(141,281)	(37,173)
	<u>1,308,719</u>	<u>1,412,827</u>
	<u>\$6,996,454</u>	<u>\$4,583,501</u>

*Attested:* Oscar Rechtshaffen, President  
John W. Stewart, C.A., Treasurer

## Profit and Loss Account

	Year ended December 31	
	1966	1965
Balance at beginning of year	\$ (37,173)	\$ 126,896
Add—Share premiums received during the year	—	24,930
	<u>(37,173)</u>	<u>151,826</u>
Deduct—Loss for the year (including branch establishment, advertising and promotion expenses 1966—\$70,328; 1965—\$96,537)	104,108	188,999
Balance at end of year	<u><u>\$(141,281)</u></u>	<u><u>\$ (37,173)</u></u>

### Notes to Financial Statements December 31, 1966

#### 1. Capital stock:

At December 31, 1966 Security Capital Corporation Limited held an option to purchase 10,000 shares of the capital stock of the corporation at \$11 per share expiring February 15, 1967 and the president of the corporation held an option to purchase 7,500 shares at \$11 per share expiring June 30, 1969.

The balance of \$495,000 unpaid in respect of the 50,000 partly paid shares is payable at the call of the directors, but not later than 1974, and when paid will be added to the shareholders' equity.

#### 2. Lease commitments:

Rental payments required under leases of branch premises expiring on various dates up to 1976 aggregate approximately \$39,000 annually, before deducting amounts to be recovered from sub-tenants (\$8,000 in 1966).



## Services

### Savings Accounts

For regular savers who require their money to be available on demand and, at the same time, earn a higher rate of interest. Withdrawals and deposits may be made in person or by mail—we pay postage both ways. The current interest rate is 4¼%.

### Chequing Accounts

A supplementary service to savings accounts, offering convenience and free chequing privileges, plus the opportunity to earn interest. The current rate is 4%. Statements of account and cancelled cheques are mailed out bi-monthly.

### Special Savings Accounts

For individuals or companies having sums of \$5,000 or more. Funds may be withdrawn on demand, but provided they have remained on deposit for 30 days, interest is paid on the *daily* balance. The current rate is 5¼%.

### Term Deposit Certificates

A short term investment for periods from 30 days to 1 year offering a high yield. Redeemable at any time prior to maturity at a slightly reduced interest rate. Minimum amount \$1,000.

### Debentures

An investment for a fixed period of time from one to six years offering the highest return—up to 6½%. Debentures are available in amounts from \$100 upwards and

interest may be collected half-yearly or compounded to maturity.

### Debenture Savings Account Plan

This is a special monthly instalment savings account designed to help the small regular saver to purchase a Debenture and gain the benefit of higher interest normally available to cash investors only. By completing the agreed number of monthly deposits, 5% interest for the full period is added to the account and a paid-up Debenture is issued. Also, the funds may be withdrawn at any time prior to completion of the plan.

### Mortgage Loans

Available on residential or commercial property at competitive rates. Application may be made through any of our branches.

### Safety Deposit Boxes

Each branch has Safety Deposit Boxes for rent at \$4.00 per annum.

### Travellers Cheques and Money Orders

Our branches sell Travellers Cheques and Money Orders for use in most countries of the world. We are also able to transfer money abroad in most currencies by mail or cable.

### Longer Business Hours

Each of our branches is open more than 50 hours per week, including Friday evenings and all day Saturdays.

